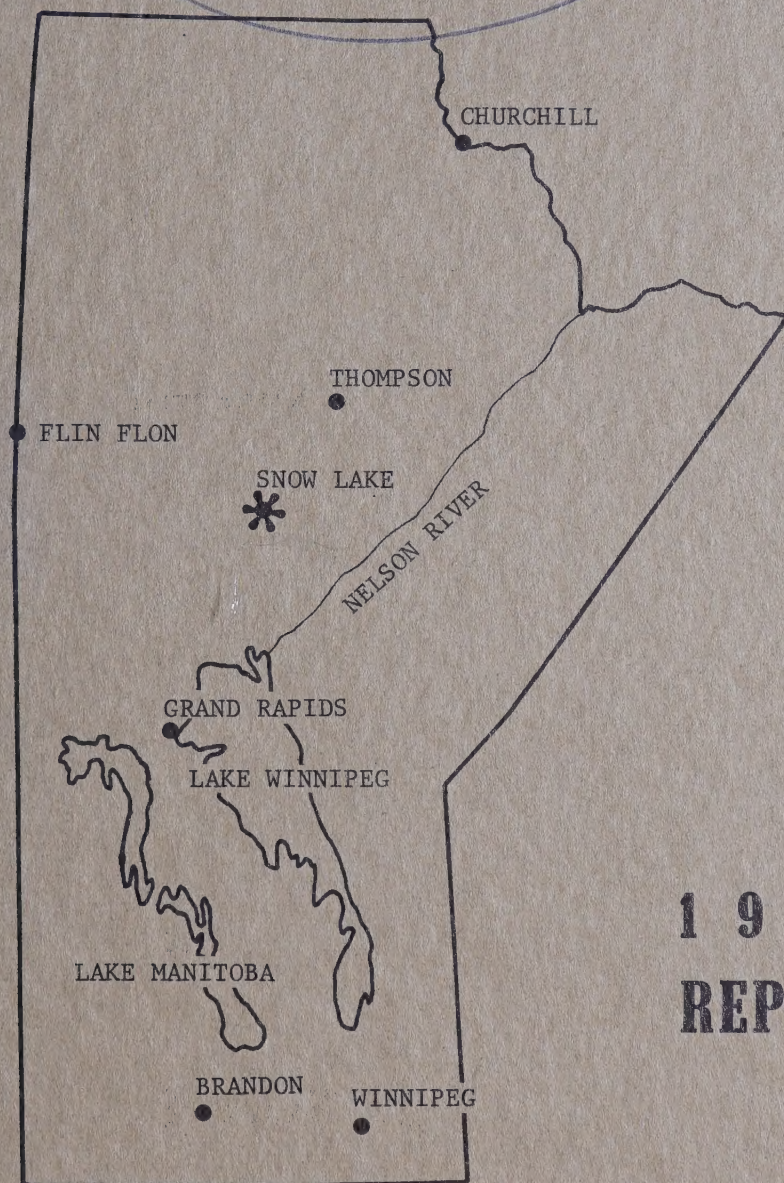


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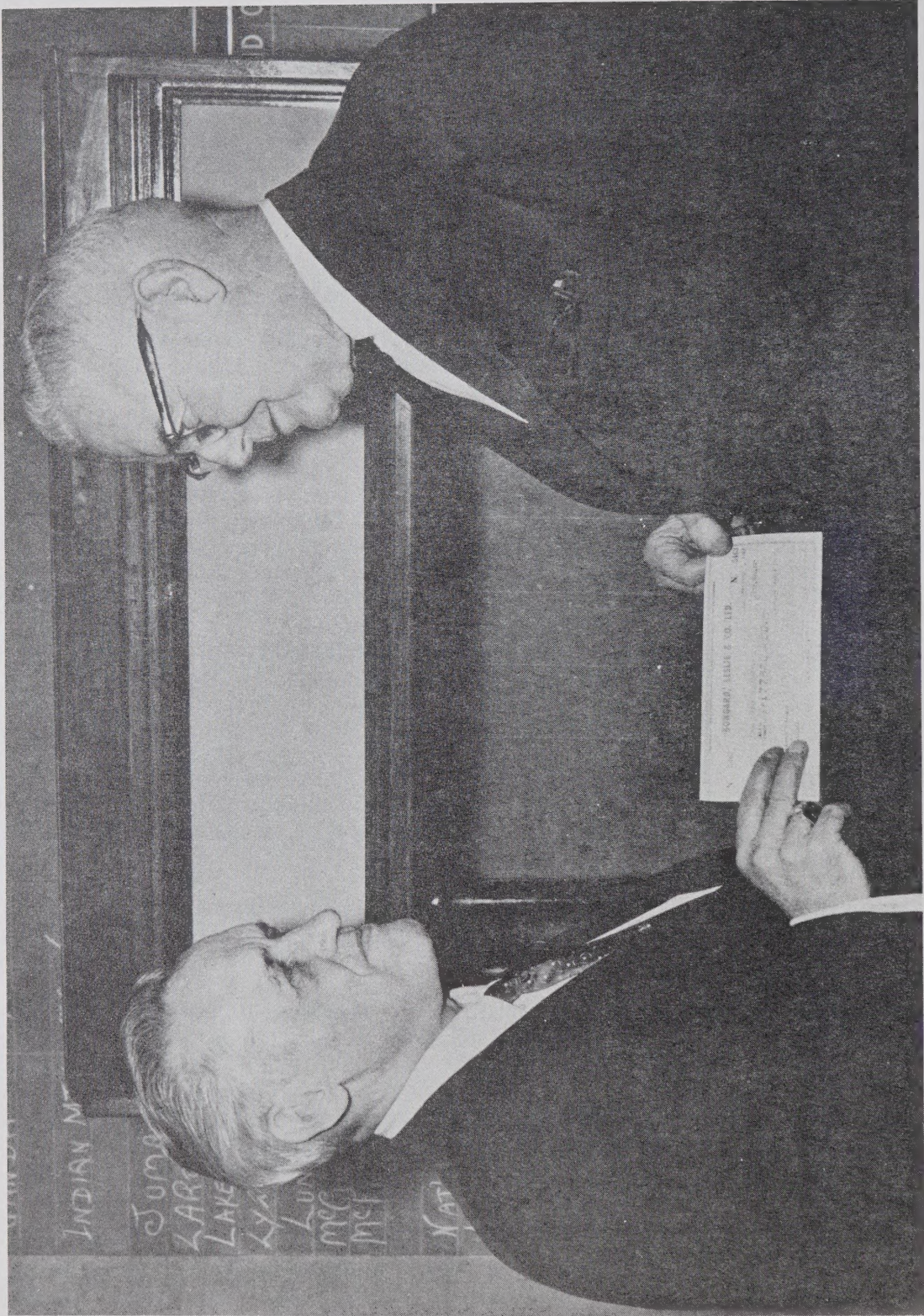
**STALL LAKE
MINES LIMITED**



**1 9 6 8
REPORT**

STALL LAKE MINES LIMITED

OFFICERS	W.J. McSorley..... President D.S. Paterson..... Vice-President G.B. White..... Secretary-Treasurer F.E. Cole..... Ass't Sec.-Treasurer K. Numerow..... Executive Assistant
BOARD OF DIRECTORS	W.J. McSorley..... Winnipeg, Canada D.S. Paterson..... Winnipeg, Canada G.B. White..... Winnipeg, Canada F.E. Cole..... Winnipeg, Canada K. Numerow..... Winnipeg, Canada
AUDITORS	Thorne, Gunn, Helliwell & Christenson 1207 - 220 Portage Avenue, Winnipeg 1, Canada
SOLICITOR	K. Numerow..... Simms, Numerow & Co. 500 - 280 Smith Street, Winnipeg 1, Canada.
TRANSFER AGENTS	Canada Permanent Trust Company - Winnipeg and Vancouver, Canada
EXECUTIVE AND HEAD OFFICE	66F Polo Park..... Winnipeg 10, Canada
SHARES LISTED	Vancouver Stock Exchange..Vancouver, Canada Winnipeg Stock Exchange... Winnipeg, Canada



The Manager of Bongard Leslie & Company's Winnipeg office, Dave Maitland handing over to Stall Lake Mines President Wilford J. McSorley a cheque for \$177,800, in front of the VSE tape showing the Stall Lake Mines tape symbo - SAK.



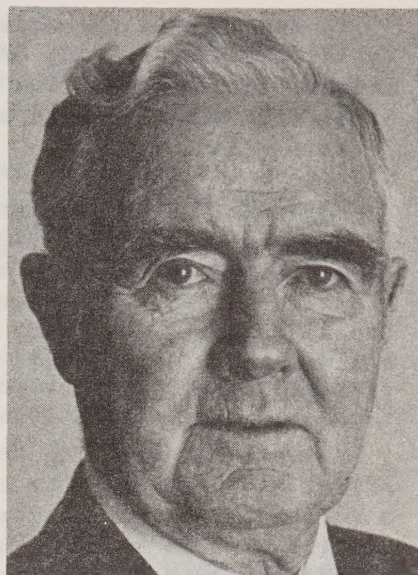
MR. D.S. PATERSON
Vice-President

P R E S I D E N T ' S

R E P O R T

T O T H E

S H A R E H O L D E R S



MR. W.J. McSORLEY
President

To the Shareholders:

It is my great pleasure to again present to you this report on the activities of your company and the financial statements for the year ended March 31, 1968, and the interim period to June 30, 1968.

Due to the change in the company's fiscal year end an Annual Report for 1967 did not appear as such. This report for 1968 will also review the period subsequent to the June 30, 1968, interim statements attached hereto.

Once again, the road to recovery, which we tackled in 1964, has seen your company make very substantial advances on several fronts, and progress in expanding its activities.

The company's major effort is still centred on exploration. As in the previous year, Falconbridge Nickel Mines Limited continued to have most encouraging success in their diamond drilling program on the Stall Lake Mines Limited claims 4½ miles southeast of the town of Snow Lake, Manitoba.

The highlight of 1967 would have to be the remarkable success achieved in the long stepout along strike (approximately 630 feet from #7-66) when diamond drill hole #12-67 "hit it rich" and returned an average assay of 14% copper, 41.34% zinc, 14 oz. of gold/ton, and .96 oz. of silver per ton across a true width of 13.5 feet.

That drill hole seemed to signal assurance of success in the prolonged efforts to create a new mine, and the market price quickly tripled. There was no looking back from that point. Drill results since have been similarly impressive in their cumulative effect.

To accommodate the widespread and increased number of shareholders an application for listing of your company's shares for trading on the Vancouver Stock Exchange was proceeded with. In February, 1968, the shares of Stall Lake Mines Limited were called for trading on the VSE under the code letters - SAK.

Following a 1966 decision of your Board of Directors to seek new properties and areas for exploration a number of prospective properties have come under consideration and examination. To finance the expanded exploration plans and to meet the listing of requirements of the Vancouver Stock Exchange, new funds were raised as noted in the accompanying financial statements. As a result, Current Assets and Investments at June 30, 1968, totalled \$308,755.

As well as examining and evaluating a number of properties for copper, nickel and uranium, your company has acquired sulphur prospecting rights on a large acreage in Alberta, and carried out a prospecting program in a new uranium area in the Northwest Territories. In the fall of 1967, 48 copper - zinc - gold - silver claims were optioned from Schott Lake Mines Limited jointly with Scope Resources Limited in the Wildnest Lake area of Saskatchewan, approximately 25 miles northwest of Flin Flon, Manitoba. The option has since been exercised to gain title, with Schott Lake Mines retaining a 5% interest in earnings.

A diamond drilling contract has been signed and a drilling program is now commencing. Previous drilling on this property revealed extensive mineralization and approximately 900,000 tons of low grade copper - zinc - gold - silver. Analysis of those drill results reveals an enrichment trend which will now be investigated by more detailed drilling.

The claims' convenient location near the Hudson Bay Mining and Smelting Company's mill and smelter at Flin Flon, and the shallow nature of the flat-lying ore zone, plunging at approximately 17°, holds out the prospect of a profitable low-cost mining operation, if further drilling should outline an adequate mining grade and tonnage.

In the meantime in 1968, Falconbridge's diamond drilling has continued to return encouraging ore intersections of high grade, steadily increasing size, tonnage, and dollar value of the high-grade copper - zinc - gold - silver orebody on our Snow Lake claims.

We are very pleased to be able to report to our shareholders that the period of uncertainty has now ended.

A feasibility study carried out last summer by Falconbridge confirms that sufficient ore had been indicated by early 1968 to assure a profitable mining operation on your company's claims, based on present estimates of mining costs and metal prices. Each new ore intersection improves that happy development.

In October 1968 Falconbridge resumed drilling on these claims with two drills. The early results from these drills are most encouraging and promise to add very profitably to the ore reserves previously indicated. Agreement

was reached between Falconbridge and Hudson Bay Mining and Smelting Company to jointly explore by deep diamond drilling the favourable border area between Stall Lake Mines' Rod 4 claim and H.B.M. & S. Co.'s Astra #34 claim.

Assays for the first joint drill hole, #23-68, returned the usual very high copper values, with good zinc, gold and silver grades. But, in addition to adding a substantial length and tonnage to previous ore indications, a NEW DISCOVERY has entered the picture. COBALT (price, \$2.15 per lb.) has been found along with the other 4 metals!

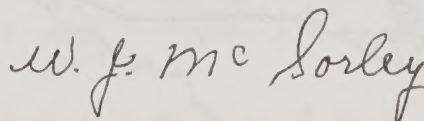
This valuable metal had not been tested for previously. As a result, drill hole #24-68, subsequently completed, has also been assayed for cobalt and has averaged 3.8 lbs. of cobalt across a 10.5 ft. intersection from 1398 to 1408.5 feet, and averaged 2.4 lbs. of cobalt across a 17 ft. intersection from 1396 ft. to 1413 ft.

The steady improvements in the condition of your company which have been made possible by, and been based upon, the Company's agreement with Falconbridge Nickel Mines Limited signed in June 1965, have continued at an accelerating pace.

We believe that a firm foundation has now been laid for continued progress.

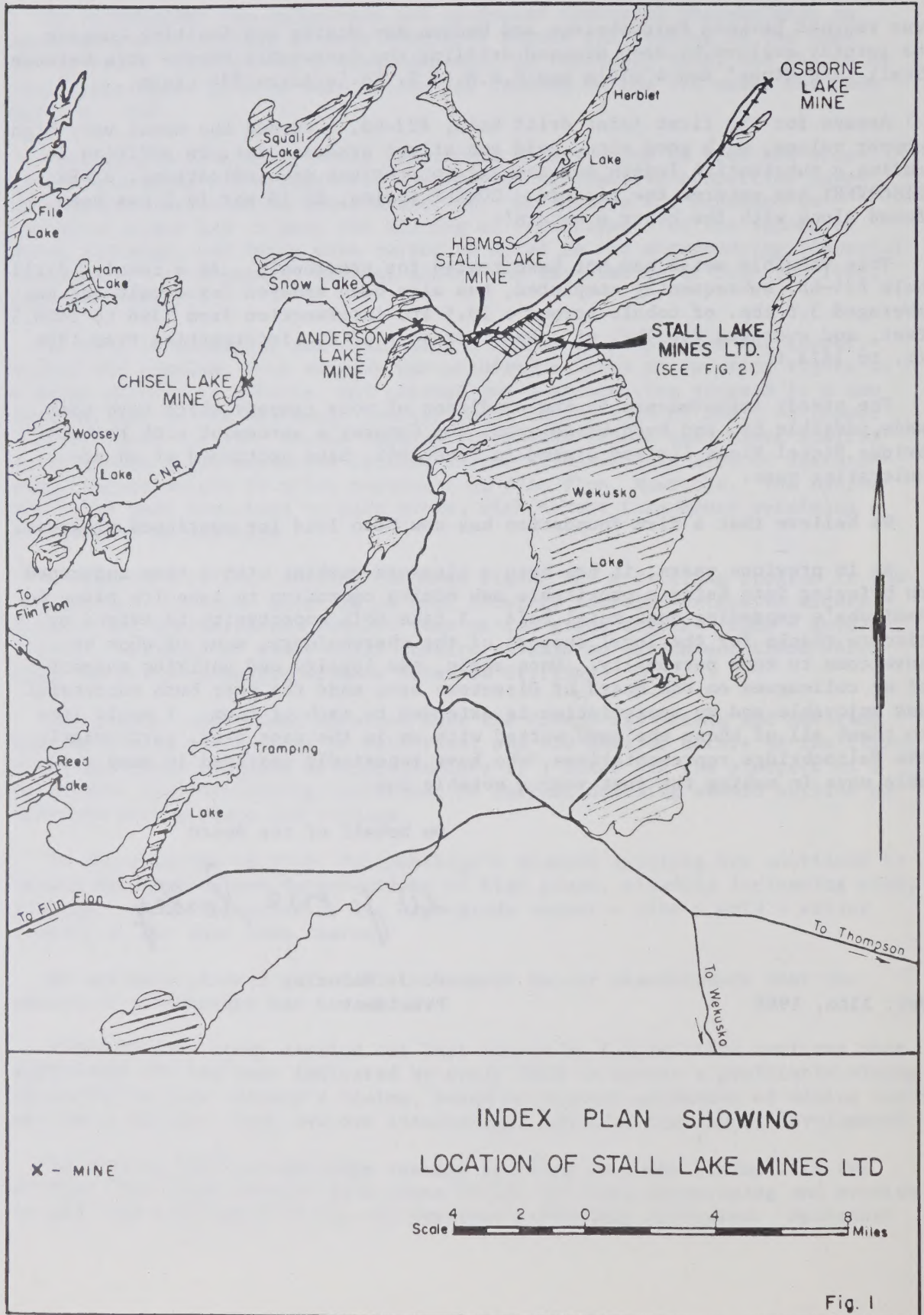
As in previous years, it has been a pleasure working with a team dedicated to bringing into being a profitable new mining operation to take its place in Manitoba's expanding base metal belt. I take this opportunity to extend my sincere thanks for the loyal support of the shareholders, many of whom we have come to know personally. Once again, the loyalty and untiring support of my colleagues on the Board of Directors have made the year both successful and enjoyable and my appreciation is extended to each of them. I would like to thank all of those who have worked with us in the past year, particularly the Falconbridge representatives, who have repeatedly assisted in many valuable ways in making the past year a notable one.

On behalf of the Board



W. J. McSorley
President

Dec. 11th, 1968



DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to report to you on the 15-month period through 1967 to the fiscal year end, March 31, 1968, and the interim period.

Dramatic improvements in the current position and future outlook for Stall Lake Mines Limited have taken place in those months.

During this time:

1. Current Assets and Investments increased by more than \$300,000.
2. New base metal claims and large sulphur prospecting acreage were acquired. Encouraging elemental sulphur assays were obtained.
3. The Company shares were listed for trading on the Vancouver Stock Exchange.
4. The indicated ore reserves multiplied several times over.
5. A future profitable mining operation assured by virtue of exploration successes at Snow Lake, Manitoba.
6. Additional value added to our copper-zinc-gold-silver ore by the recent discovery that it also contains COBALT. It will be necessary to reassess the value of the combined minerals, revising the total upwards.
7. Canadian National rail line was completed across our claims to open the new Hudson Bay Mining and Smelting Company mine at Osborne Lake.

FINANCIAL:

The fiscal year end was changed to March 31st, commencing March 31st, 1968. The greatest improvement in Current Assets and Investments yet attained saw these increase from approximately \$5,000 at the beginning of the fiscal year to more than \$225,000 at March 31, 1968. This increased further in the interim period to June 30, 1968, when it stood at more than \$308,000 as a result of the underwriting by Bongard Leslie & Co. Limited.

Stringent economies throughout 1967 enabled a build-up of working capital that has made possible a new exploration program as reported on herein, as well as our listing on Vancouver Stock Exchange in 1968.

No fees have been paid to Directors. No salaries were paid to Officers until December, 1967, when nominal salaries were begun for the President and Secretary-Treasurer only. The Company's incentive stock option plan has been renewed for a three-year period, subject to shareholder approval, for a total of 19,333 shares per year to be allotted to officers.

Once the exploration program expanded in September, 1967, much more travel, legal and administrative expense has been incurred in the conduct of the Company's enlarged activities.

The same philosophy of careful economy imposed by President W.J. McSorley in 1964 is still in practice. As a consequence, new opportunities for creative enterprise are being made possible.

A shortage of trained personnel continues in the mining industry. Your Directors consider that it would be appropriate to initiate a scholarship designed to encourage and assist a deserving student wishing to pursue studies related to mining. It is intended to set up such a scholarship in the coming year.

EXPLORATION:

Since our last general meeting of shareholders our geologist has examined and reported on several properties with interesting showings of copper, nickel and uranium as the Company has searched for new properties of merit. No agreements have yet resulted from these evaluations.

Your Company also took part in the greatly increased exploration activity in the Northwest Territories last summer. An exploration camp was established in the Ellice River area, where a favourable new uranium formation has been reported. A field party was flown in to examine the area.

A program of prospecting and geological mapping did not disclose significant evidence of mineralization. A base camp remains available should further developments in the area make additional prospecting desirable.

A major sulphur rush developed in the Peace River area of north central Alberta last fall and winter. Stall Lake Mines acquired an interest in Sulphur Exploration Permits covering 237,920 acres.

The consulting geological and engineering firm of J.C. Sproule & Associates, of Calgary, was engaged to carry out the first phases of the sulphur exploration during the summer and fall of 1968. Sample assays have ranged from a trace to a high of 70% elemental sulphur. On the basis of these results, and recommendations from Dr. J.C. Sproule, a follow-up program is being prepared for 1969.

The Flin Flon area base metal claims (48) which were optioned in 1967 on a 50-50 basis with Scope Resources Limited, have now been acquired through exercising the option. Finances are now available and a diamond drilling program is just being started that is designed to gather greater detail on a zone of higher grades of copper and zinc.

The Company claims at Snow Lake, Manitoba, remain our main asset. Falconbridge's drilling successes continue to enlarge the well-located high-grade copper - zinc - silver - gold - cobalt orebody adjacent to H.B. M. & S. Co.'s highest grade copper mine. As a consequence, the past fiscal year has seen the status of this property pass from that of a good prospect to one with an assured profitable future.

This important fact will come as welcome news to our many faithful long-time shareholders (as well as the newcomers) who have watched the market value of their shares progress from:-

the 7¢ to 9¢ per share quoted in the fall of 1964, to the 15¢ to 20¢ per share level one year later, and the 35¢ to 45¢ per share range in the autumn of 1966. It surged to the \$1.00 to \$1.05 per share level in the fall of 1967 and progressed to the \$1.50 per share level at this time.

The excellent exploration outlook, bolstered by the newly-discovered COBALT content in the already high-grade ore reserves being systematically expanded by the Falconbridge drilling and added to the much improved financial condition of the Company, when taken together, prompt your Board of Directors to believe that the rate of progress of the past several years should continue in the year ahead.

FUTURE:

With a profitable mining operation now assured for our claims at Snow Lake, and its efficient management provided by Falconbridge Nickel Mines Limited, the ultimate size and nature of the production is being determined by the drilling program which is now aimed at defining the boundaries of the present orebody.

The nature of the favourable geology is such that future drilling and development work could multiply the presently indicated ore reserves. Therefore, until the extent and location of the ore is more precisely known, it is not possible to plan for the most efficient and profitable mining of this high grade orebody.

When mining does commence, the fact that rail transport is within yards of the orebody, and a provincial all-weather highway is only half a mile away, assures adequate low-cost transportation "on the doorstep".

The northern power grid is tying in power from the recently completed Grand Rapids development at the mouth of the Saskatchewan River to the present power supplies serving Snow Lake. The gigantic Nelson River power development is scheduled to also tie in some of its vast output to further assure all power needed for decades ahead.

The modern town of Snow Lake is 4½ miles away. A projected highway link from Grand Rapids to Wekusko on the Thompson Highway and the Hudson Bay Railway will reduce the road distance from Winnipeg to Snow Lake by approximately 200 miles. Snow Lake is 320 miles from Winnipeg by air.

Sulphur has been prominent the past year due to greatly increased consumption and high prices. Northern Alberta is known to contain vast amounts of sulphur. We hope to make further progress in our sulphur exploration which will now proceed in a more detailed manner centred in those areas in which we have encountered the more promising assays.

We will retain our 51% interest in Sulphur Permit No. 75 and our 100% interest in a group of four permits to the southwest of Wood Buffalo Park. These permits cover 99,200 acres. As more precise knowledge and data are compiled, the areas for final retention will be determined.

New studies on the recovery of sulphur from the Northern Alberta-type deposits are presently being carried out at the Colorado School of Mines for Brenda Mines and may improve the economics of such sulphur mining.

Your Company intends to continue its search for copper, nickel and uranium and has a number of areas under consideration.

CONCLUSION:

We trust that the welcome drilling news being produced at this time and the other evidence of progress contained in this report will add a special measure to the Holiday pleasure and cheer for the Stall Lake Mines shareholders and their families at the Christmas season ahead.

In submitting this report your Directors extend their sincere thanks to all who have contributed toward making the past year a successful one.

Compliments of the Season to each of you.

On behalf of the Board,

Winnipeg, Manitoba
December 10th, 1968.

G.B. White
Secretary-Treasurer.



Aerial view of Stall Lake Mines camp at Snow Lake Manitoba.

FALCONBRIDGE AGREEMENT

Exploration Expenditures - on the company's Snow Lake claims by Falconbridge.

A certified statement from Falconbridge Nickel Mines Limited reporting on expenditures incurred in carrying out work on the Stall Lake Mines Limited mining claims for the period from June 1st, 1965 to July 31st, 1968, may be summarized as follows:

1. Surveys	\$ 22,957.48
2. Diamond drilling	198,237.79
3. Assays	5,179.44
4. Drafting, property maintenance, and regional office expenses	8,561.40
5. Other expense	<u>21,500.00</u>
	<u>\$ 256,436.11</u>

Under the terms of the Stall Lake - Falconbridge Agreement of June 1st, 1965, Falconbridge was granted the right to earn a 50% interest in the mineral claims (but no portion of the physical plant, machinery, etc. - and no interest in the company Stall Lake Mines, as such) at Snow Lake, Manitoba, by minimum exploration expenditures of \$100,000. Further exploration expenditures do not earn Falconbridge any additional interest in the property.

Only by completely financing a new mine into production can Falconbridge earn an additional 10% interest to bring its total ultimate interest in the mining claims to 60% - and Stall Lake Mines will retain a full 40% interest in the producing mine.

ORE RESERVES - 629,450 tons at present

Following the completion of the first 21 diamond drill holes, an estimate of tonnage and grade was prepared by W.C. Brisbin, P. Eng. That report, dated June 19, 1968, is reprinted here in its entirety.

Since the resumption of drilling in October, 1968, the 4 drill holes completed to date have extended the length of the high grade sulphide ore zone to approximately 2200 feet, however no new tonnage and grade estimates have yet been made.

Diamond drill Hole #26-68, a follow-up of the joint Falconbridge-Hudson Bay Mining & Smelting Company D.D. Hole #23-68, was wedged off from #23-68 to intersect the ore zone updip, to the southeast of #23-68.

While this hole is being drilled the second drill has been proceeding with D.D. Hole #25-68. Reports on these holes should be available in a short while and will have an important effect on the developing ore picture.

Previous estimates of dollar value will have to be revised to include the newly-discovered COBALT content.

RESULTS OF RECENT DRILLINGSTALL LAKE MINES LTD. PROPERTY, SNOW LAKE, MANITOBA

Falconbridge Nickel Mines Limited has recently completed three diamond drill holes which were drilled to explore the down-plunge continuation of Ore Zone No. 2. The three holes (19-68, 20-68, and 21-68) were drilled from the same surface location, approximately 320 feet north of the collar of hole 12-67, in which the furthest down-plunge economic grades within Ore Zone No. 2 were last observed. Good mineralized intersections were encountered in these three holes; the following table presents the average assay values as reported by Falconbridge Nickel Mines Limited:

Hole No.	Intersection Interval	% Copper	% Zinc	Oz. Gold	Oz. Silver
19-68	<u>Average for 5.5 feet</u> <u>1480.0 to 1485.5</u>	5.13	3.27	0.02	0.35
20-68	<u>Average for 12.8 feet</u> <u>1436.5 to 1449.3</u>	13.70	5.17	0.07	0.88
21-68	<u>Average for 14.3 feet</u> <u>1390.9 to 1405.2</u>	10.57	3.10	0.10	0.79

The positions of the mineralization encountered in all three holes are consistent with a down-plunge continuation of Ore Zone No. 2 and indicate that the previous holes, 17-68 and 18-68, in which low grades of mineralization were observed, overshot the ore zone.

New calculations of tonnage and average grade of Ore Zone No. 2 have been made. The new estimates are based on data from all of the holes in the drilling program and the calculations assume linear variations in grades and thicknesses between holes. The economic limits of Ore Zone No. 2 were chosen as: grade 1.5% copper, true thickness 5 feet. The reserves indicated by the drilling to date, allowing for 10% dilution, are estimated to be 629,452 short tons, with average grades of 4.76% copper and 2.15% zinc. Gold and silver values are sufficiently high in some holes to indicate that the precious metal value of parts of the ore zone may run as high as \$7.48 per ton (based on current prices).

The total down-plunge length of Ore Zone No. 2, based on the stated economic limits, is now interpreted to be 1,950 feet from a depth of 440 feet to a depth of 1,500 feet. However, extensions down-plunge and up-plunge still remain a possibility.

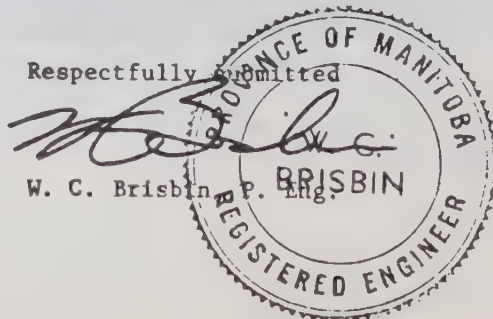
The positions of the mineralized intersections in the three latest holes suggest strongly that the ore zone may continue further down-plunge. In the up-plunge direction from hole 4-65, the true dimensions and grades of the body still remain to be determined. The present distribution of grades within the body as a whole, suggest that the two holes (2-65 & 10-66), furthest up-plunge, may have overshot the highest grade portions of the ore zone in this area.

Excerpts of this report should not be taken out of context without the written permission of the author.

Respectfully Submitted

W. C. Brisbin P. Eng.

June 19, 1968



SUMMARY OF EXPLORATIONS BY FALCONBRIDGE NICKEL MINES ON THE STALL LAKE MINES
CLAIMS AT SNOW LAKE, MANITOBA TO DECEMBER 1968

Six diamond drill holes have been completed by Falconbridge or are near completion since drilling was resumed on these claims in October with the objective of outlining the boundaries of the high grade orebody.

This latest phase of the drilling began by deepening D.D. Hole #18-68 and by wedging off in D.D. Hole #12-67 to start D.D. Hole #22-68 at the 223 foot depth to test the area updip from D.D. Hole #13-67.

Results for the first two drill holes have been reported in Newsletters to our shareholders. Assays are now available for the 3rd and 4th holes, #23-68 and #24-68. Both of these drill holes have added a new dimension to the orebody as well as returning very high copper values - consistent with previous drill results. #23-68 was jointly financed by Hudson Bay Mining and Smelting Company to test the favourable zone along the boundary with Astra claim #34. For the first time the ore zone was tested for, and returned values in COBALT. Assays for the 12-foot core length from 1526 feet to 1538 feet averaged:

10.60% Copper	.05 oz./ton in Gold
5.81% Zinc	.82 oz./ton in Silver
AND 1.4 lb./ton in COBALT.	

The market price for cobalt is \$2.15 per lb.

For the 16-foot core length from 1526 feet to 1542 feet the average assay was:

8.23% Copper	.03 oz./ton in Gold
5.81% Zinc	.62 oz./ton in Silver
AND 1.2 lb./ton in COBALT.	

#23-68 was another one of those MILLION-DOLLAR holes. As well as its excellent combined copper - zinc - gold - silver values, and the further enrichment of the ore which comes from the newly-found COBALT content, that hole added a substantial length (approx. 225 feet) to the orebody.

D.D. Hole #24-68, located down dip from #12-67 cut another fine ore intersection, which also gave a good return (increased) in COBALT.

This hole had a 10.5-foot core length from 1398 feet to 1408.5 feet averaging:

9.66% Copper	.13 oz./ton Gold
6.77% Zinc	.77 oz./ton Silver
AND 3.8 lb./ton in COBALT.	

The 17-foot core length from 1396 feet to 1413 feet averaged:

6.40% Copper	.06 oz./ton Gold
4.32% Zinc	.48 oz./ton Silver
AND 2.4 lb./ton in COBALT.	

These holes further enhance the fine ore picture which has been building up as Falconbridge methodically explores the high grade copper zone. This zone now extends approximately 2200 feet along the plunge. The ultimate daily tonnage of the future mining operation will be determined by the total ore reserves outlined.

The discovery of COBALT adds a further element of pure profit, as sufficient ore values and tonnage had previously been indicated to support a profitable mining operation based on the first 21 diamond drill holes.

If cobalt proves to be included in the ore throughout the zone in the average values shown in D.D. Holes #23-68 and #24-68, it could add another \$2.50 to \$5.00 per ton in gross values to the ore reserves, a very substantial and welcome discovery - coinciding with Christmas, as it does.

All 26 diamond drill holes drilled to date have been in mineralization (including the two on which assays are awaited). The most promising holes along the approximately 2200-foot ore zone reported on are:

Drill Hole No.	True Thickness	Average Grade			
		% Copper	% Zinc	Oz. Silver	Oz. Gold
4-65	15.4 feet	5.80	1.55	.31	.03
7-65	6.6 feet	11.50	5.00	.77	.06
8-66	8.4 feet	8.51	10.01	.55	.07
* 10-66	21.9 feet	1.85	.48	.07	.01
12-67	13.5 feet	14.0	4.34	.96	.14
13-67	13.8 feet	3.90	1.01	.15	.04
15-67	8.1 feet	11.48	5.36	.85	.06
16-67	17.1 feet	11.25	3.64	.79	.09
19-68	5.5 feet	5.13	3.27	.35	.02
20-68	12.8 feet	13.70	5.17	.88	.07
21-68	14.3 feet	10.57	3.10	.79	.10
23-68	11.7 feet	8.23	4.05	.62	.03
24-68	12.5 feet	6.40	4.32	.48	.06
* (includes a true thickness of 5.3 feet grading 4.10% Copper)					

Also to be added in are the COBALT values.

Only two drill holes have had COBALT assays completed so far.

Drill hole #23-68 averaged 1.2 lb./ton in COBALT, and

Drill hole #24-68 averaged 2.4 lb./ton in COBALT.

The joint drill program with Hudson Bay Mining & Smelting is continuing at present.

NORTHERN ALBERTA SULPHUR - G.B. White

The sulphur rush in the Peace River area of Alberta, to the west, southwest, and to the south of Wood Buffalo Park, which developed in the fall of 1967 and winter of 1968, stimulated new interest in an area long known to contain immense amounts of sulphur.

A prominently held theory postulates that ground waters percolating under pressure from deep sources to the east of the Canadian Rocky Mountains have carried to the surface great amounts of elemental sulphur. When these sulphur-laden waters, which find exits through faults and fissures to reach the surface, are trapped in stagnant or poorly drained swamps, muskegs, pools or lakes under favourable conditions sulphur is precipitated and gradually builds up a sulphur sediment on the bottom of such bodies of stagnant water.

Over very long periods of time it is possible for large tonnages of sulphur to thus accumulate in deposits at or near the surface. The purity of such deposits of elemental sulphur in Alberta may range to 90 per cent or higher. These sulphur occurrences are widespread in Northern Alberta and stretch into the Northwest Territories.

To grasp the vastness of the amount of sulphur which is believed to be distributed throughout this huge region consider this fact.

The Athabaska tar sands (now being mined by Great Canadian Oil Sands Company) are by far the largest known oil source in the world, containing an estimated 600 BILLION barrels of oil.

Theory holds that this tremendous amount of oil was trapped in equally tremendous sand deposits (up to 1800 feet thick) as it also migrated under pressure from a source believed to be a deep basin to the east of the Canadian Rocky Mountains.

Then, after the oil was in place in the tar sands, percolating sulphur-bearing ground waters carried in sulphur to saturate the oil sands. Great Canadian Oil Sands produces more than 300 tons of sulphur per day as a by-product of its petroleum production.

It is estimated that these Athabaska tar sands contain 6 to 8 BILLION tons of sulphur! That is only a small part of the area believed to have a sulphur-producing potential.

STALL LAKE MINES LIMITED
(Incorporated under the laws of Manitoba)

BALANCE SHEET - MARCH 31, 1968
(with comparative figures at December 31, 1966)

ASSETS	March 31 1968	December 31 1966
CURRENT ASSETS		
Cash	\$ 1,533	\$ 1,188
Guaranteed deposit receipts, at cost plus accrued interest	169,386	3,740
Marketable securities, at cost (note 2) (quoted market value \$23,675)	20,137	
Accounts receivable	742	
Loan receivable, shareholder (note 3)	8,300	
Prepaid expenses and deposits	15,850	300
	<u>215,948</u>	<u>5,228</u>
INVESTMENTS		
Scope Resources Limited (formerly Kay Lake Mines Limited)		
100,000 shares, at cost	6,500	
Advances (note 3)	7,500	
	<u>14,000</u>	
MINING CLAIMS AND PERMITS, at cost (note 4)	<u>143,025</u>	<u>112,500</u>
FIXED ASSETS, at cost		
Buildings, machinery and equipment (note 5)	<u>80,023</u>	<u>80,023</u>
OTHER ASSETS		
Deferred exploration, development and administrative expenditures	196,707	174,418
Organization expense, at cost	1,200	1,200
	<u>197,907</u>	<u>175,618</u>
	<u>\$ 650,903</u>	<u>\$ 373,369</u>

AUDITORS' REPORT

To the Shareholders of
Stall Lake Mines Limited

We have examined the balance sheet of Stall Lake Mines Limited as at March 31, 1968 and the statements of deferred exploration, development and administrative expenditures and source and application of funds for the fifteen months then ended. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES

	March 31 1968	December 31 1966
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,224	\$ 3,522
Advance payments on options		4,662
	<u>6,224</u>	<u>8,184</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)		
Authorized		
3,000,000 Common shares, without par value, not to exceed \$750,000		
Issued		
2,405,561 Common shares (1,957,061 shares in 1966)	<u>644,679</u>	<u>365,185</u>

CONTINGENT LIABILITY (note 7)

Approved by the Board

 Director
  Director
 \$ 650,903 \$ 373,369

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1968 and the results of its operations and the source and application of its funds for the fifteen months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Thorne, Loran, Helkewell & Christenson

Winnipeg, Canada
November 27, 1968

Chartered Accountants

STALL LAKE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION
DEVELOPMENT AND ADMINISTRATIVE EXPENDITURESFIFTEEN MONTHS ENDED
MARCH 31, 1968

EXPLORATION AND DEVELOPMENT

Consulting and Engineering Reports, fees and expenses	\$ 3,194	
Prospecting	4,674	
Mine insurance	698	
Mine supplies and power	\$ 1,771	
Watchman's wages and benefits	<u>3,939</u>	<u>5,710</u>
	14,276	
Reimbursements from Falconbridge Nickel Mines Limited	<u>5,710</u>	\$ 8,566

ADMINISTRATIVE

Legal and Audit	4,177	
Office rent and telephone	657	
Officers' remunerations	3,687	
Office supplies and general expense	1,654	
Reports to shareholders	1,360	
Stock transfer and listing fees	3,796	
Travel	<u>1,757</u>	
	17,088	
Deduct interest and dividend income	<u>3,365</u>	<u>13,723</u>

NET EXPENDITURES FOR THE PERIOD	22,289
BALANCE DEFERRED AT BEGINNING OF PERIOD	<u>174,418</u>
BALANCE DEFERRED AT END OF PERIOD	<u>\$ 196,707</u>

STATEMENT OF SOURCE AND
APPLICATION OF FUNDSFIFTEEN MONTHS ENDED
MARCH 31, 1968

SOURCE OF FUNDS

Issue of shares	\$ <u>279,494</u>
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APPLICATION OF FUNDS

Net exploration, development and administration expenditures	22,289
Purchase of shares of and advances to Scope Resources Limited	14,000
Purchase of mining claims and permits	<u>30,525</u>
	<u>66,814</u>

INCREASE IN WORKING CAPITAL	212,680
WORKING CAPITAL DEFICIENCY AT BEGINNING OF PERIOD	<u>2,956</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$ 209,724</u>

STALL LAKE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 1968

1. FISCAL YEAR-END AND COMPARATIVE FIGURES

The company's fiscal year-end was changed from December 31 to March 31 commencing March 31, 1968. Comparative figures are not presented for the statements of deferred exploration, development and administrative expenditures and source and application of funds because previously reported audited figures were for fiscal periods which differ in length from those covered in these financial statements.

2. MARKETABLE SECURITIES

	Market Value	Cost
Common shares		
3,000 New Hosco Mines Limited	\$ 6,480	\$ 7,185
1,500 Gortdrum Mines Limited	9,375	5,760
500 Northgate Explorations Limited	6,500	5,875
100 Lake Dufault Mines Limited	980	970
200 Chimo Gold Mines Limited	340	347
	<u>\$ 23,675</u>	<u>\$ 20,137</u>

3. LOAN RECEIVABLE, SHAREHOLDER AND ADVANCE TO SCOPE RESOURCES LIMITED

These short-term loans have been subsequently repaid and have earned at the repayment date \$917 interest.

4. MINING CLAIMS AND PERMITS

18 Claims (M5819 to M5836) in the Snow Lake area, of the Pas Mining District, Manitoba, acquired by the issuance of 750,000 shares of the company's capital stock \$ 112,500

Under the terms of an agreement dated June 1, 1965, Falconbridge Nickel Mines Limited has incurred exploration expenses on these mining claims in excess of the required expenditure of \$100,000, and therefore have a 50% interest in the claims. The agreement further provides that Falconbridge's interest may be increased to 60% when Falconbridge finances and brings a mine into production.

13 Alberta Sulphur Prospecting Permits

Permit Numbers

116 - to - 125, 100% interest

11 and 77, 25% interest

75, 51% interest

All permits acquired for cash

29,975

48 Claims optioned in the Churchill Mining District, Saskatchewan, optioned on a 50-50 basis with Scope Resources Limited. A further \$1,000 payment must be made by each company to acquire title to the claims. This option was exercised and payment made in October 1968.

Option acquired for cash.

550
\$ 143,025

5. FIXED ASSETS

Fixed assets are located on the Snow Lake Claims, and are recorded at original cost. No provision has been made for depreciation.

Buildings	\$ 17,606
Machinery and equipment	55,467
Jeep and trailer	<u>6,950</u>
	<u>\$ 80,023</u>

6. CAPITAL STOCK

Issued during the period for cash

Shareholders', Officers' and Directors' options on 188,500 shares, granted for the years, 1964, 1965 and 1966 were exercised and the company received the option price of \$26,112. Officers' and Directors' options on 40,000 shares for the year 1967 were exercised and the company received the option price of \$10,000.

In July, 1967, 50,000 shares were issued for \$27,500 to Darius Mines Limited, a wholly-owned subsidiary of Falconbridge Nickel Mines Limited.

In December, 1967, 30,000 shares were issued for \$38,082 by primary distribution through the facilities of the Winnipeg Stock Exchange.

In January, 1968, the Company entered into an underwriting agreement for the issue of 210,000 shares of its capital stock at \$1.27 per share for the first 140,000 shares, and \$1.65 per share for the next 70,000 shares. At March 31, 1968, the first 140,000 shares had been paid for and issued, realizing \$177,800.

Options

At March 31, 1968, options to senior officers for the purchase of 40,000 shares of capital stock of the Company at \$1 per share were outstanding and exercisable anytime before December 31, 1972. The shareholders proposed and approved these options at the annual meeting held December 18, 1967.

7. CONTINGENT LIABILITY

In April, 1965, the former mine manager filed a claim for \$15,000 against the Company for wages and severance pay. The claim was disputed by the Company and a defence filed. An estimated provision has been recorded in the accounts for the claim.



President W.J. McSorley at marker for "Discovery Hole" #4-65, on the Stall Lake Mines claims at Snow Lake, Manitoba.

STALL LAKE MINES LIMITED
(Incorporated under the laws of Manitoba)

INTERIM BALANCE SHEET - JUNE 30, 1968

ASSETS

CURRENT ASSETS

Cash	\$	653	
Guaranteed deposit receipts, at cost plus accrued interest		225,102	
Marketable securities, at cost (quoted market value \$29,325)		33,250	
Accounts receivable		10,311	
Loan receivable, shareholder (note 2)		8,300	
Prepaid expenses and deposits		<u>15,489</u>	\$ 293,105

INVESTMENTS

Scope Resources Limited (formerly Kay Lake Mines Limited)			
100,000 shares, at cost		6,500	
Advances, (note 2)		<u>9,150</u>	15,650

MINING CLAIMS AND PERMITS, at cost (note 3)	143,025
---	---------

FIXED ASSETS, at cost (note 4)	81,514
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OTHER ASSETS

Deferred exploration, development and administrative expenditures	205,266	
Organization expense, at cost	<u>1,200</u>	<u>206,466</u>

\$ 739,760

AUDITORS' REPORT

To the Shareholders of
Stall Lake Mines Limited

We have examined the interim balance sheet of Stall Lake Mines Limited as at June 30, 1968 and the statements of deferred exploration, development and administrative expenditures, retained earnings and source and application of funds for the three months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities \$ 9,294

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)

Authorized

3,000,000 Common shares, without par value,
not to exceed \$750,000

Issued

2,453,861 Common shares \$ 724,373

RETAINED EARNINGS

6,093730,466

CONTINGENT LIABILITY (note 6)

\$ 739,760

Approved by the Board

W. J. McSorley Director J. E. Bole Director

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1968 and the results of its operations and the source and application of its funds for the three months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Thorne, Lunn, Kellivell & Christenson

Winnipeg, Canada
November 27, 1968

Chartered Accountants

STALL LAKE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION
DEVELOPMENT AND ADMINISTRATIVE EXPENDITURESTHREE MONTHS ENDED
JUNE 30, 1968

EXPLORATION AND DEVELOPMENT

Consulting and engineering reports, fees and expenses	\$ 560	
Prospecting	7,325	
Mine insurance	125	
Mine supplies and power	\$ 128	
Watchman's wages and benefits	<u>793</u>	
	8,931	
Reimbursements from Falconbridge Nickel Mines Limited	<u>921</u>	\$ 8,010

ADMINISTRATIVE

Legal and audit	550	
Office rent and telephone	456	
Officers' remuneration	2,849	
Office supplies and general expense	264	
Reports to shareholders	222	
Travel	<u>323</u>	
	4,664	
Deduct interest and dividend income	<u>4,115</u>	<u>549</u>
NET EXPENDITURES FOR THE PERIOD		8,559
BALANCE DEFERRED AT BEGINNING OF PERIOD		<u>196,707</u>
BALANCE DEFERRED AT END OF PERIOD		<u>\$ 205,266</u>

STATEMENT OF RETAINED EARNINGS

THREE MONTHS ENDED JUNE 30, 1968

Balance at beginning of period	Nil
Gains on sale of marketable securities	<u>\$ 6,093</u>
BALANCE AT END OF PERIOD	<u>\$ 6,093</u>

STATEMENT OF SOURCE AND APPLICATION
OF FUNDSTHREE MONTHS ENDED
JUNE 30, 1968

SOURCE OF FUNDS

Issue of shares	\$ 79,695
Gain on sale of marketable securities	<u>6,093</u>
	<u>85,788</u>

APPLICATION OF FUNDS

Net exploration, development and administrative expenditures	8,559
Purchase of equipment	1,492
Advance to Scope Resources Limited	<u>1,650</u>
	<u>11,701</u>

INCREASE IN WORKING CAPITAL	74,087
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>209,724</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$ 283,811</u>

STALL LAKE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 1968

1. COMPARATIVE FIGURES

Comparative figures are not presented because previously reported audited figures were for fiscal periods which differ in length from those covered in these financial statements.

2. LOAN RECEIVABLE, SHAREHOLDER AND ADVANCE TO SCOPE RESOURCES LIMITED

These short-term loans have been subsequently repaid and have earned at the repayment date \$917 interest.

3. MINING CLAIMS AND PERMITS

18 Claims (M5819 to M5836) in the Snow Lake area, of the Pas Mining District, Manitoba, acquired by the issuance of 750,000 shares of the company's capital stock \$ 112,500

Under the terms of an agreement dated June 1, 1965, Falconbridge Nickel Mines Limited has incurred exploration expenses on these mining claims in excess of the required expenditure of \$100,000, and therefore have a 50% interest in the claims. The agreement further provides that Falconbridge's interest may be increased to 60% when Falconbridge finances and brings a mine into production.

13 Alberta Sulphur Prospecting Permits

Permit

Numbers

116 - to - 125, 100% interest

11 and 77, 25% interest

75, 51% interest

All permits acquired for cash

29,975

48 Claims in the Churchill Mining District, Saskatchewan, optioned on a 50-50 basis with Scope Resources Limited. A further \$1,000 payment must be made by each company to acquire title to the claims. This option was exercised and payment made in October 1968.

Acquired for cash

550\$ 143,025

STALL LAKE MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 1968

4. FIXED ASSETS

Prospecting equipment was purchased during the period at a cost of \$1,492. All other assets are located on the Snow Lake claims, and are recorded at original cost. No provision has been made for depreciation.

Buildings	\$ 17,606
Machinery and equipment	56,958
Jeep and trailer	<u>6,950</u>
	<u>\$ 81,514</u>

5. CAPITAL STOCK

Issued during the period

Pursuant to an underwriting agreement of January 1968, the company issued 48,300 shares of capital stock at \$1.65 per share. The agreement was allowed to expire in July 1968 and no further shares were issued.

Options

At June 30, 1968 options to senior officers for the purchase of 40,000 shares of capital stock of the company at \$1 per share were outstanding and exercisable anytime before December 31, 1972. The shareholders proposed and approved these options at the annual meeting held December 18, 1967.

At June 30, 1968, subject to shareholders' approval, options to officers for the purchase of 59,000 shares of the company's capital stock at \$1.20 per share were outstanding. The options are exercisable over the next three years, from the date of approval by the Public Utility Board of Manitoba, provided only one-third of the options granted will be exercised each year, and the said options are non-cumulative.

6. CONTINGENT LIABILITY

In April 1965, the former mine manager filed a claim for \$15,000 against the company for wages and severance pay. The claim was disputed by the company and a defense filed. An estimated provision has been recorded in the accounts for the claim.

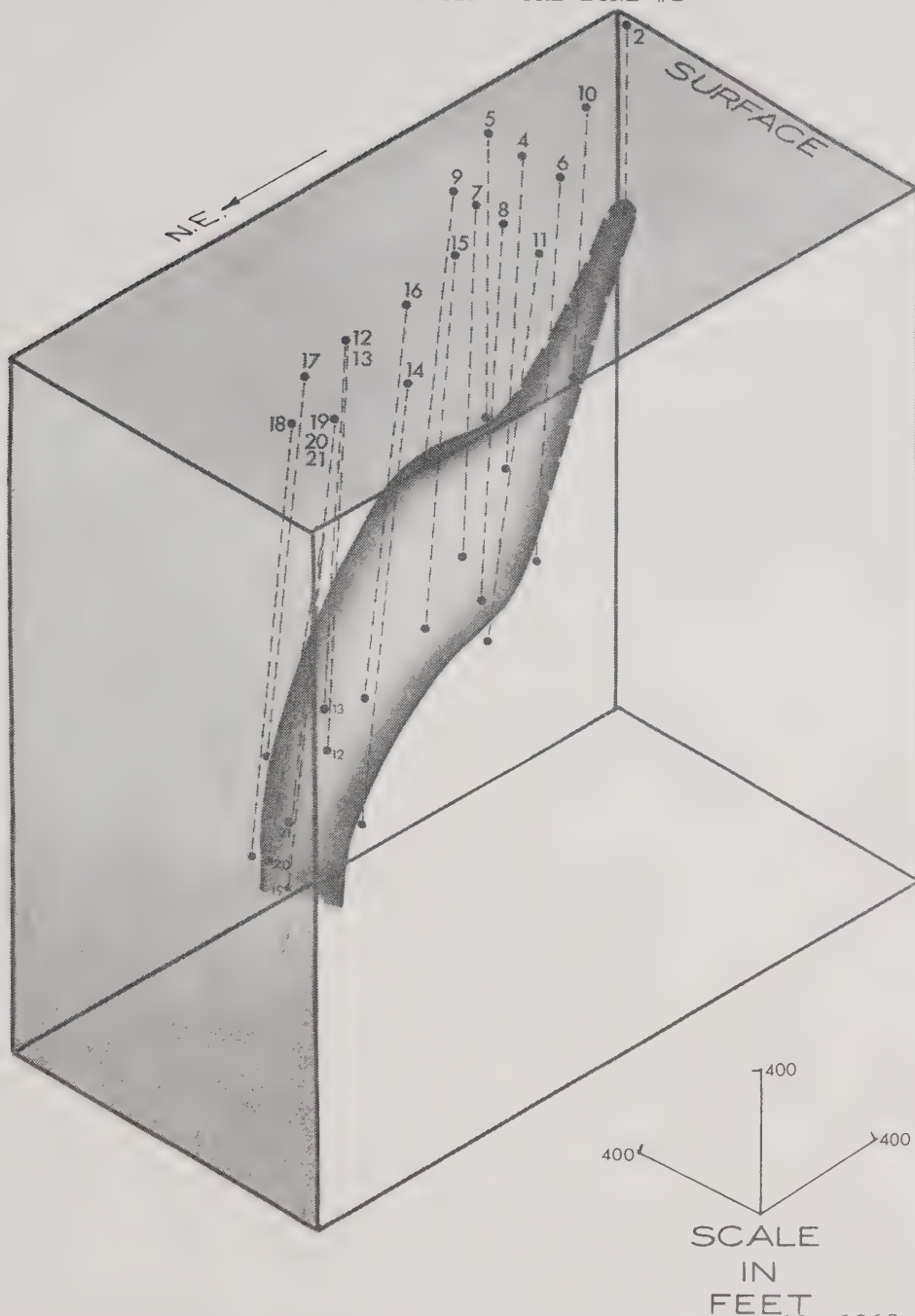


DIAGRAM PREPARED by W.C. BRISBIN, P. ENG. June 19, 1968.

The ore zone plunges N.E. at about 32° and dips N.W. at 50° -plus. This tabular ore-body is illustrated within the scope of data provided by the first 21 drill holes.

The calculated limits for the orebody here depicted were taken so as include all material as being of ore grade if it contained at least 1.5% copper, or higher (plus contained zinc, gold and silver) and at the same time was at least 5 feet, or greater, in true thickness.

As the shallow end of the orebody has only single-hole intercepts; it was necessary to illustrate it as of narrow dimensions until further drill hole data is available for that portion of the orebody.

Professor W.C. Brisbin notes that the main high grade copper zone may have been overshoot in the shallow upper end. More exploratory drilling is required.

DIAMOND DRILLING PROGRESS REPORT

To the Shareholders:

June 20th, 1968

Drill Hole #21-68 averaged:

10.57% Copper	---	.10 oz. Gold/ton
3.10% Zinc	---	.79 oz. Silver/ton
across 14.3 ft. from 1390.9 to 1405.2 ft.		

Drill Hole #21 -68 was wedged off from #20-68 at 650 feet and was the third in a series of intersections which tested the width of the high grade copper-zinc-silver-gold ore zone more than 300 feet down-plunge beyond drill hole #12-67.

As illustrated in the following report by Consulting Geologist W.C. Brisbin, P. Eng., the last 3 diamond drill holes have encountered excellent values in Copper, Zinc, Gold and Silver, and have brought about a proportionately large increase in the tonnage and dollar value of the indicated ore reserves.

The most recent calculations show an increase of more than 42% above the tonnage estimate reported in April, 1968, to a present figure of 629,450 tons of ore (after allowing for dilution), with a similar proportionate increase in the value of the ore-body. A figure on the net realizable return is being prepared.

Shareholders will be pleased to note that assays continue to show substantial amounts of Gold and Silver in addition to the unusually high Copper assays and the good Zinc values. The present spiralling prices for Gold and Silver point to the likelihood that these precious metals will provide a larger dollar return than was anticipated earlier and should be able to carry a large part of the total costs of mining the ore.

RESULTS OF RECENT DRILLING

STALL LAKE MINES LTD. PROPERTY, SNOW LAKE, MANITOBA

Falconbridge Nickel Mines Limited has recently completed three diamond drill holes which were drilled to explore the down-plunge continuation of Ore Zone No. 2. The three holes (19-68, 20-68, and 21-68) were drilled from the same surface location, approximately 320 feet north of the collar of hole 12-67, in which the furthest down-plunge economic grades within Ore Zone No. 2 were last observed. Good mineralized intersections were encountered in these three holes; the following table presents the average assay values as reported by Falconbridge Nickel Mines Limited:

Hole No.	Intersection Interval	% Copper	% Zinc	Oz. Gold	Oz. Silver
19-68	<u>Average for 5.5 feet</u> <u>1480.0 to 1485.5</u>	5.13	3.27	0.02	0.35
20-68	<u>Average for 12.8 feet</u> <u>1436.5 to 1449.3</u>	13.70	5.17	0.07	0.88
21-68	<u>Average for 14.3 feet</u> <u>1390.9 to 1405.2</u>	10.57	3.10	0.10	0.79

The positions of the mineralization encountered in all three holes are consistent with a down-plunge continuation of Ore Zone No. 2 and indicate that the previous holes, 17-68, and 18-68, in which low grades of mineralization were observed, overshot the ore zone.

New calculations of tonnage and average grade of Ore Zone No. 2 have been made. The new estimates are based on data from all of the holes in the drilling program and the calculations assume linear variations in grades and thicknesses between holes. The economic limits of Ore Zone No. 2 were chosen as: grade 1.5% copper, true thickness 5 feet. The reserves indicated by the drilling to date, allowing for 10% dilution, are estimated to be 629,452 short tons, with average grades of 4.76% copper and 2.15% zinc. Gold and silver values are sufficiently high in some holes to indicate that the precious metal value of parts of the ore zone may run as high as \$7.48 per ton (based on current prices).

The total down-plunge length of Ore Zone No. 2, based on the stated economic limits, is now interpreted to be 1,950 feet from a depth of 440 feet to a depth of 1,500 feet. However, extensions down-plunge and up-plunge still remain a possibility.

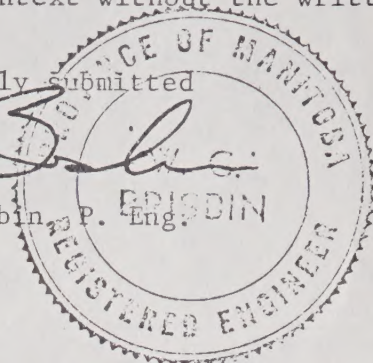
The positions of the mineralized intersections in the three latest holes suggest strongly that the ore zone may continue further down-plunge. In the up-plunge direction from hole 4-65, the true dimensions and grades of the body still remain to be determined. The present distribution of grades within the body as a whole, suggest that the two holes (2-65 & 10-66), furthest up-plunge, may have overshoot the highest grade portions of the ore zone in this area.

Excerpts of this report should not be taken out of context without the written permission of the author.

June 19, 1968

Respectfully Submitted

W. C. Brisbin
W. C. Brisbin, P. Eng.

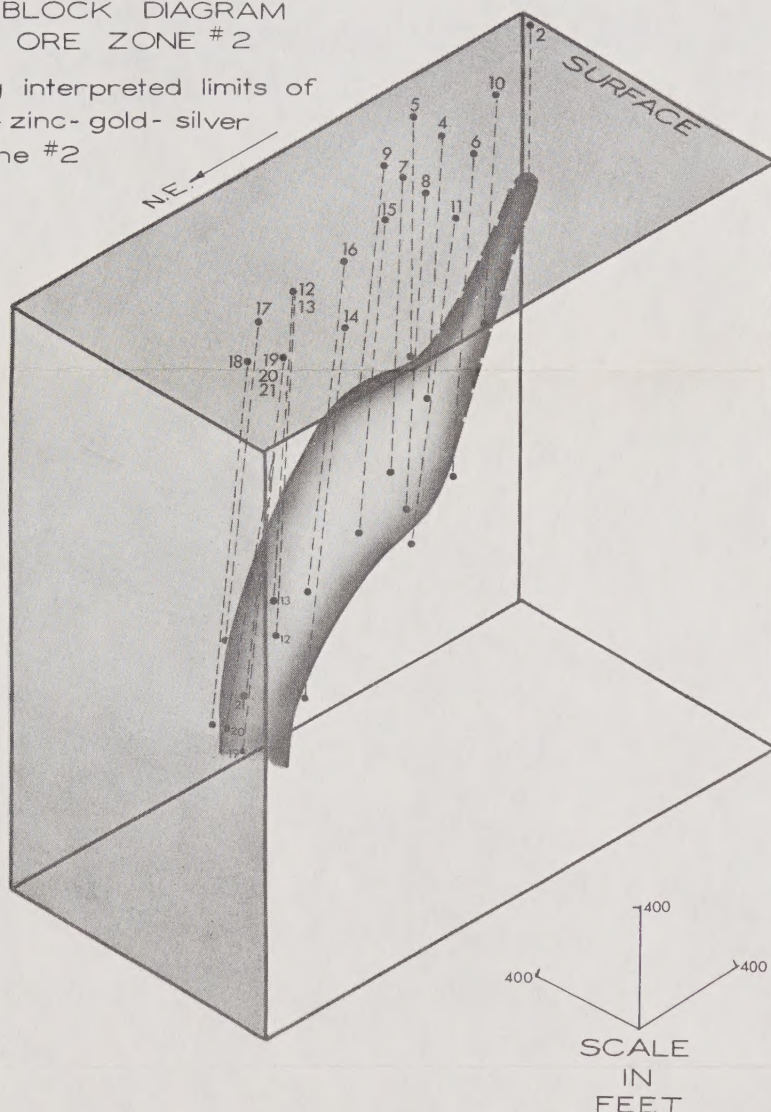


The successful completion of this series of holes marks another milestone in the systematic program to explore our strategically located base metal claims at Snow Lake.

The number of holes now completed makes it possible to visualize the general shape and orientation of the ore-body. A 3-dimensional representation is shown here for your information. As noted by W.C. Brisbin, P. Eng., some areas require further drilling to define the ore body.

STALL LAKE MINES LTD.
BLOCK DIAGRAM
ORE ZONE #2

Showing interpreted limits of
copper-zinc-gold-silver
ore zone #2



A new phase in the exploration and development program is now under way. A Falconbridge crew is now on the property to carry out a detailed feasibility study.

This seems an appropriate time to mark the June 1st anniversary of the signing of our Exploration and Development Agreement with Falconbridge Nickel Mines Limited. Each year of the Agreement has seen very great progress made. With the substantial successes now accumulated in proving up this property, we now look forward more than ever to the next 12 months.

There will be more to report shortly on our other properties.

On behalf of the Board

(signed) Wilf. J. McSorley
President
Stall Lake Mines Limited

the lightest green portions of the map are in this area.

Because of this, reports should not be taken out of context without the proper interpretation of the map.



June 15, 1925

The following description of this system of color marks is intended to be a general guide only. A detailed description of the system is given in the report of the committee on the subject of the color marks. The committee on the subject of the color marks is composed of the following members: Mr. J. H. ...

STANDARD COLOR MARKS FOR
PLANT INDUSTRY



A box of this kind is used for the purpose of showing the color of the material. The box is made of a material which is not affected by the light. The box is used for the purpose of showing the color of the material. The box is used for the purpose of showing the color of the material.

There will be a color chart in the report of the committee.

On behalf of the committee

(Signed) J. H. ...
Secretary